

House File 2114 - Introduced

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A BILL FOR

1 An Act updating the Code references to the Internal Revenue
2 Code and including effective date and retroactive
3 applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.3, subsection 5, Code 2009, is
2 amended to read as follows:

3 5. "*Internal Revenue Code*" means the Internal Revenue Code
4 of 1954, prior to the date of its redesignation as the Internal
5 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
6 the Internal Revenue Code of 1986 as amended to and including
7 January 1, ~~2008~~ 2009.

8 Sec. 2. Section 422.7, subsection 53, Code Supplement 2009,
9 is amended by striking the subsection.

10 Sec. 3. Section 422.9, subsection 2, paragraph i, Code
11 Supplement 2009, is amended to read as follows:

12 *i.* The deduction for state sales and use taxes is allowable
13 only if the taxpayer elected to deduct the state sales and use
14 taxes in lieu of state income taxes under section 164 of the
15 Internal Revenue Code. A deduction for state sales and use
16 taxes is not allowed if the taxpayer has taken the deduction
17 for state income taxes or claimed the standard deduction under
18 section 63 of the Internal Revenue Code. This paragraph
19 applies to taxable years beginning after December 31, 2003, and
20 before January 1, ~~2006~~ 2010.

21 Sec. 4. Section 422.9, subsection 3, paragraph b, Code
22 Supplement 2009, is amended to read as follows:

23 *b.* The Iowa net operating loss remaining after being carried
24 back as required in paragraph "a", ~~or~~ "d", or "e", or if not
25 required to be carried back shall be carried forward twenty
26 taxable years.

27 Sec. 5. Section 422.9, subsection 3, Code Supplement 2009,
28 is amended by adding the following new paragraph:

29 NEW PARAGRAPH. *e.* Notwithstanding paragraph "a", for
30 a taxpayer who has a qualified disaster loss as defined in
31 section 172(b)(1)(J) of the Internal Revenue Code, including
32 modifications prescribed by rule by the director, the Iowa
33 qualified disaster loss is a net operating loss which may be
34 carried back five taxable years prior to the taxable year of
35 the loss.

1 Sec. 6. Section 422.9, Code Supplement 2009, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 9. In determining the amount of deduction
4 for federal income tax under subsection 1 or subsection 2,
5 paragraph "b", for tax years beginning in the 2009 calendar
6 year, if a refund is attributable to the receipt of an advance
7 refund pursuant to the federal Recovery Rebates and Economic
8 Stimulus for the American People Act of 2008, Pub. L. No.
9 110-185, the amount of the deduction for the tax year shall not
10 be adjusted by the amount of the advance refund, and the amount
11 of the advance refund shall not be taxable under this division.

12 Sec. 7. Section 422.32, subsection 7, Code Supplement 2009,
13 is amended to read as follows:

14 7. "*Internal Revenue Code*" means the Internal Revenue Code
15 of 1954, prior to the date of its redesignation as the Internal
16 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
17 the Internal Revenue Code of 1986 as amended to and including
18 January 1, ~~2008~~ 2009.

19 Sec. 8. Section 422.35, subsection 11, paragraph b, Code
20 Supplement 2009, is amended to read as follows:

21 b. An Iowa net operating loss for a tax year beginning on or
22 after January 1, 2009, or an Iowa net operating loss remaining
23 after being carried back as required in paragraph "a", ~~or "f",~~
24 or "h" shall be carried forward twenty taxable years.

25 Sec. 9. Section 422.35, subsection 11, Code Supplement
26 2009, is amended by adding the following new paragraph:

27 NEW PARAGRAPH. h. Notwithstanding paragraph "a", for
28 a taxpayer who has a qualified disaster loss as defined in
29 section 172(b)(1)(J) of the Internal Revenue Code, including
30 modifications prescribed by rule by the director, the Iowa
31 qualified disaster loss is a net operating loss which may be
32 carried back five taxable years prior to the taxable year of
33 the loss.

34 Sec. 10. Section 422.35, subsection 24, Code Supplement
35 2009, is amended by striking the subsection.

1 Sec. 11. RETROACTIVE APPLICABILITY.

2 1. The sections of this Act amending Code sections 422.3,
3 422.9, subsection 3, 422.32, and 422.35, subsection 11, apply
4 retroactively to January 1, 2008, for tax years beginning on
5 or after that date.

6 2. The sections of this Act amending Code sections 422.7,
7 subsection 53, 422.9, subsection 2, and 422.35, subsection 24,
8 apply retroactively to December 31, 2007, for tax years ending
9 after that date.

10 3. The section of this Act enacting section 422.9,
11 subsection 9, applies retroactively to January 1, 2009, for tax
12 years beginning in the 2009 calendar year.

13 Sec. 12. EFFECTIVE DATE. This Act, being deemed of
14 immediate importance, takes effect upon enactment.

15 EXPLANATION

16 This bill updates references in Code sections 422.3 and
17 422.32 to the Internal Revenue Code, making certain federal
18 income tax revisions enacted by Congress in 2008 applicable for
19 purposes of the corporate and individual income taxes and the
20 franchise tax.

21 The bill amends certain sections of the individual and
22 corporate income taxes relating to the computation of net
23 income. Current law specifically provides deductions for the
24 increased expensing allowances allowed under section 179 of the
25 Internal Revenue Code. Because the bill couples Iowa law with
26 federal law for purposes of individual and corporate income
27 taxes, these deductions are no longer necessary.

28 In certain circumstances, current law provides an itemized
29 deduction from net income for state sales and use taxes in
30 lieu of a deduction for income taxes. This deduction was only
31 available for taxable years beginning after December 31, 2003,
32 and before January 1, 2006. The bill extends this deduction to
33 taxable years beginning before January 1, 2010.

34 The bill provides that advance refunds provided under the
35 federal Economic Stimulus Act of 2008, but not received until

1 2009, are not subject to tax and do not reduce the amount
2 of federal tax liability deductible for purposes of the Iowa
3 individual income tax.

4 The bill contains a number of retroactive applicability
5 provisions: (1) the section of the bill relating to advance
6 refunds under the federal Economic Stimulus Act of 2008 applies
7 retroactively to January 1, 2009, for tax years beginning in
8 the 2009 calendar year; (2) the sections of the bill relating
9 to the increased expensing allowance and the continued itemized
10 deduction for state sales and use taxes apply retroactively to
11 December 31, 2007, for tax years ending after that date; (3)
12 all other sections of the bill apply retroactively to January
13 1, 2008, for tax years beginning on or after that date.
14 The bill takes effect upon enactment.